

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 265 - SB 282

February 17, 2018

SUMMARY OF BILL: Establishes a licensing program for the purpose of regulating commercial dog breeders. Defines a “commercial dog breeder” as any person who, during a twelve-month period, possesses or maintains 10 or more fertile female dogs in this state for the primary purpose of selling their offspring as household pets.

Requires the Commissioner of the Department of Commerce and Insurance (DCI) to establish an application for registration and a fee schedule for initial and renewal registrations, inspections, and other additional fees. Authorizes DCI to investigate and make on-site inspections of an applicant dog breeder prior to the dog breeder becoming registered. Requires DCI to conduct biennial inspections of each registered dog breeder’s facilities. If an inspection reveals a violation of the provisions of this bill or the rules promulgated thereby, DCI must provide the registrant a detailed list of the violations discovered and a date by which the registrant must bring the violation into compliance. Subsequently, DCI is required to submit an inspection report to the United States Department of Agriculture, Animal and Plant Health Inspection Service, Animal Care Eastern Regional Office.

Prior to registration, an applicant dog breeder’s registration is required to provide documentation evidencing that the breeder provides a program of veterinary care, and cooperate with any on-site inspection. Prohibits any person who has had a registration revoked from operating as a commercial dog breeder.

Establishes a Class A misdemeanor offense for any person engaging in the business of commercial dog breeding without registering with DCI. Any other violation of the provisions of this bill is grounds for revocation or refusal to issue or renew a registration.

ESTIMATED FISCAL IMPACT:

**Increase State Revenue – Up to \$59,100/FY18-19 and Subsequent Years/
Division of Regulatory Boards**

**Increase State Expenditures - \$102,300/FY18-19/Division of Regulatory Boards
\$59,100/FY19-20 and Subsequent Years/Division of
Regulatory Boards**

Other Fiscal Impact - Pursuant to Tenn. Code Ann. § 4-29-121, all regulatory boards are required to be self-supporting over any two- year period. The Division

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experienced a deficit of \$105,632 in FY15-16, a surplus of \$2,513,597 in FY16-17, and a cumulative reserve balance of \$26,350,035 on June 30, 2017.

Assumptions:

- Public Chapter 591 of 2009 (PC 591) enacted the Commercial Breeder Act, which required the Department of Health (DOH) to license and regulate individuals who keep 20 or more unsterilized female dogs or cats for purpose of breeding and sale of offspring as companion animals.
- In 2012, the Fiscal Review Committee staff completed a review of PC 591 to determine the actual impact of the legislation.
- Estimates assumed 500 dog breeders would become licensed as a result of PC 591; however, only 20 dog breeders actually became licensed.
- In FY11-12, this program collected state revenue of \$70,200 (\$50,200 sales tax revenue + \$20,000 licensure and services revenue); however, state expenditures exceeded \$365,000.
- This legislation has an effective date of January 1, 2018, except for the promulgation of rules which shall be effective upon becoming law. Since this date has passed, it is assumed any fiscal impact will occur in FY18-19.
- DCI will hold a rulemaking hearing to promulgate rules to effectuate the purposes of this legislation.
- A one-time increase in state expenditures of \$1,500 for one rulemaking hearing (court reporter \$500 + transcript copies \$1,000), all of which will be incurred in FY18-19.
- According to the DCI, this new regulatory program will require maintenance to the Comprehensive Online Regulatory and Enforcement System (CORE).
- A one-time increase in state expenditures of \$38,400 (320 vendor hours x \$120 per hour).
- It is assumed that the requirement to conduct on-site inspections of commercial dog breeder properties will require one additional field representative position to complete such inspections.
- A recurring increase in state expenditures of \$59,144 (salary \$36,700 + benefits \$10,536 + FICA \$2,808 + vehicle lease \$4,500 + vehicle-related expenses \$3,000 + network/phone \$1,000 + supplies \$600) and a one-time increase in state expenditures of \$3,300 (office furniture \$2,000 + computer \$1,300).
- An increase in state expenditures in FY18-19 of \$102,344 (\$1,500 + \$38,400 + \$59,144 + \$3,300).
- A recurring increase in state expenditures in FY19-20 and subsequent years of \$59,144.
- Pursuant to Tenn. Code Ann. § 4-29-121, all regulatory boards are required to be self-supporting over any two-year period. This new regulatory program will be placed under the Division of Regulatory Boards; therefore, this program will be required to collect sufficient revenue to offset expenditures incurred by the program in regulating commercial dog breeding.
- Registrations will be biennial, requiring renewal registration every two years from initial registration.

- Based on the number of licensees who registered with the DOH in conjunction with PC 591, it is estimated that there will be relatively few licensees under the provisions of this legislation.
- Up to 40 individuals will seek and become registered with the DCI as commercial dog breeders.
- The number of breeders estimated for this legislation (up to 40) is approximately twice the number actually licensed pursuant to PC591, which were 20; such increase is based on PC151 being relative to breeders who possessed 20 or more animals, while this proposed legislation is relative to breeders who will possess 10 or more animals.
- The average number of initial and renewal registrations in any given year is estimated to be a number up to 20 (Up to 40 / 2-year period).
- Given the relatively low number of estimated licensees, recurring fee revenue per licensee will need to be considerably high to offset the recurring expenses incurred in administering the program. Registration, inspection, and other fee revenue per registrant, per annum of at least \$2,955 will be required for the program to become self-funding (\$59,100 estimated recurring expenditures / Up to 20 annual registrants).
- A recurring increase in revenue beginning in FY18-19 estimated to be a number up to \$59,100 (Up to 20 breeders x \$2,955 minimum).
- There will not be a sufficient number of prosecutions for state or local government to experience any significant increase in revenue or expenditures.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

/jdb